

PRESS RELEASE

Vermont Public Service Board • 112 State Street • Montpelier, VT 05620-2701

FOR IMMEDIATE RELEASE

VERMONT PUBLIC SERVICE BOARD APPROVES FAIRPOINT'S ACQUISITION OF VERIZON

Montpelier, Vermont — February 15, 2008

The Vermont Public Service Board ("Board"), in an Order issued today in Docket 7270, approved a request by FairPoint Communications, Inc. to acquire the wireline local-exchange and long-distance businesses of Verizon in Vermont. The Board reviewed a revised proposal, based in large part on a settlement agreement with the Department of Public Service, that affects the majority of telephone customers within the state. The Board concluded that FairPoint's acquisition of Verizon's landline business offered many potential benefits. In particular, the Board noted that FairPoint had a substantially greater interest in operating a telephone company in Vermont than does Verizon.

In December, the Board denied FairPoint's original request based upon concerns about the adequacy of FairPoint's financial resources. At that time, the Board observed that FairPoint's large debt payment obligations could force it to reduce operating expenses, slow expansion of broadband and other services, and reduce investment, all of which would adversely affect Vermont consumers. Significantly, however, the Board did not consider the effect of a \$247.5 million debt reduction that had been negotiated in Maine, but had not been presented to the Board for consideration.

FairPoint submitted a revised proposal in January. The revisions improve FairPoint's financial standing after the acquisition, by substantially reducing the initial debt, requiring further buy-down of debt, and decreasing dividends. In addition, the revised proposal included a Performance Enhancement Plan, agreed to between FairPoint and the Department of Public Service, which will prompt more investment and improve service quality in the first three years of FairPoint's operation.

The Board concluded that the lessened financial risks are now at an acceptable level, particularly in light of the benefits that FairPoint is expected to bring to Vermont, which included: (1) improved service quality; (2) expanded broadband deployment; and (3) a broader range of services. The Board noted that FairPoint had committed to meet the Vermont service quality standards, including measures that Verizon has consistently failed to meet. In addition, FairPoint will extend broadband availability to over 80 percent of Verizon's current customers by 2010, as well as ensuring that half of its local exchanges in Vermont will have 100 percent coverage. FairPoint's broadband coverage and speeds are expected to exceed those of Verizon.

The Board's approval included a number of conditions. These included requirements to protect service quality, preserve an open competitive telecommunications marketplace, and help minimize any affect of the transition from Verizon to FairPoint upon customers. In addition, the Board went beyond the conditions contained in the Stipulation between the parties and required Verizon to deposit \$6.7 million in an escrow account to fund the removal of a large number of dual poles around Vermont. The Board also directed Verizon to deposit \$25 million to fund FairPoint's remediation of service quality issues under the Performance Enhancement Plan. These conditions were intended to address existing problems that arose under Verizon's ownership.

For more information contact:

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